

CBRE VALUATION & ADVISORY SERVICES

MARKET RENT & EXPENSE METRICS

BCMB ALBERTA BOTTLE DEPOT BUILDINGS
EFFECTIVE DATE: JULY 1, 2025





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August 11, 2025

MNP LLP
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10235 – 101 Street NW
Edmonton, Alberta T5J 3G1

Attn: Chris Hartman

RE: BCMB Alberta Bottle Depot Buildings Market Lease Metrics

Dear Mr. Hartman,

At your request and authorization, CBRE Limited has completed an investigation and analysis to assist with market rent, realty tax, and utilities expense determination with respect to beverage container recycling facilities throughout Alberta.

The scope of work required review and analysis of market transaction information to estimate lease rates for the five-year period between 2021 and 2025 (as of July 1 of each year) and was to assume fully net lease structures for the 13 groups as identified within the provided data set. We have considered additional requirements for realty tax, utility, insurance and maintenance expenses for each of the categories as of July 1, 2025. CBRE Limited has completed this study on a fully independent basis. We understand this report will be used by the intended user and any other intended users noted herein to assist in internal management and decision making.

The results of our analysis are presented in the following report. Additional data and analysis in support of the conclusions have been retained in our working files.

It has been a pleasure to assist in this assignment. If you have any questions concerning the analysis, or if CBRE Limited can be of further service, please contact us.

Respectfully submitted,

CBRE LIMITED


Chris Marlyn, AACI, MRICS
Senior Managing Director
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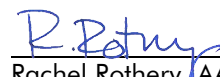

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Background & Introduction

CBRE Limited has been engaged to assist MNP LLP, the Data Collection Agent for the Beverage Container Management Board (BCMB), in determining the expenses associated with operating bottle depot facilities in various markets throughout the province of Alberta.

According to the information provided, there are 219 bottle recycling and processing facilities in Alberta. These facilities are categorized into 13 geographical and functional groupings which provide the framework for our research and analysis. CBRE has reviewed the groupings as provided by MNP LLP and determined the groupings to be appropriate in design for the purposes of this analysis. A breakdown of the relevant groupings and summary information is provided in table to the right. Data relating to each specific depot as provided by MNP LLP is contained within our files.

It is the objective of our research, summarized in this report, to determine market rent and operating cost values for each of the 13 groupings. The report estimates lease rates for the five-year period between 2021 and 2025 as of July 1 each year. This has been accomplished through the collection and analysis of realty tax, utility costs, insurance and maintenance expenses associated with each building group as of July 1, 2025. The summary of these findings is presented in a table format herein to assist MNP LLP in their recommendation of the handling fees paid to bottle depot operators as commissioned by the BCMB.

Category	Count
Calgary Retail	11
Calgary Commercial	16
Calgary Industrial	1
Edmonton Retail	3
Edmonton Commercial	14
Edmonton Industrial	5
Bedroom City	15
North City	5
South City	14
Rural North Town	34
Rural South Town	53
Rural Village	39
Rural Hamlet	9
	219

Process & Methodology

The process of determining fair market rents for the 13 building groupings was established through a cohesive research effort involving leadership from CBRE Limited's Calgary office and additional research support from CBRE Limited's Edmonton office. Determination of the key findings involved a two-step process of data collection and information analysis. The same methodology was used to satisfy the additional requirement of determining realty tax and operating expenses for each of the same 13 building categories.

The CBRE Limited research team created a system of data collection based on timeline and location. Market transaction information depicting details of each lease transaction including location, area size, lease terms and rental rates were collected and categorized into each group by commencement date. 13 subgroups were further created within each year of our research to represent the 13 group categories for which fair market lease values were to be established, and in which all market transactions collected for the year were filtered and further categorized to reflect the geographical and functional characteristics of each building group.

Appropriate and relevant market transactions were selected from CBRE's proprietary transaction and availability database. The database contains a comprehensive, accurate and up-to-date collection of real estate market intelligence across all commercial asset classes, allowing the research team to leverage market insight across CBRE's business lines. In addition to CBRE's proprietary in-house database, the research team utilized publicly available municipal datasets to verify assessment and realty tax information. Moreover, we

have leveraged existing relationships with real estate leasing and sales professionals throughout Alberta to supplement our in-house data sources. In doing so, we have utilized listing information sourced from closed transactions in the MLS® system.

All market transactions utilized to reach the final conclusions are believed to be fairly negotiated deals between arm's length parties. Taking into consideration the physical characteristics that define a bottle depot facility, transactions involving buildings that fit the criteria and have the potential to accommodate bottle recycling and processing operations were selected for each of the retail, commercial and industrial markets in the metropolitan areas of Calgary and Edmonton as well as smaller cities, rural towns, villages and hamlets.

Upon finalizing each selection of market transaction information for all building groups between 2021 and 2025, we also considered the data provided from MNP LLP relating to lease rates in place for the depots where this information was available. Ranges of market rents were established for each individual group from which an average lease rate was obtained. These figures then populated the pre-determined summary table as illustrated in the attachment to this report to reveal the final presentation of the team's statistical findings. We have utilized a Triple-Net Lease structure ("NNN") throughout our analysis as this is the market norm throughout Alberta. A NNN Lease is structured such that the tenant is responsible for all costs relating to the asset being leased, in addition to their base rent under the lease. This structure requires the lessee to pay the net amount for three types of costs, including net real estate taxes on the leased asset, net building insurance and net common area maintenance.

A similar methodology was implemented in the determination of realty taxes, utility costs, insurance and maintenance expenses associated with operating bottle depot facilities within each of the 13 building groups. The team supplemented their analysis with extracted expense information from recent appraisal reports completed by licensed appraiser's in CBRE's Calgary and Edmonton offices. Combining this with the data provided from MNP LLP relating to the actual expenses reported by the individual depots and expense details relating to the lease comparables utilized within our analysis, expense figures for each group were determined from the extracted samples to complete the attached summary table.

It is noted that the insurance costs for each grouping include only the real estate portion of insurance, and do not include business or general liability insurance. For this reason, the actual insurance costs for each depot is likely to be much higher once business or other insurance is added. The exclusion is due to the extreme variation in these costs based upon the specific insurer and insured party, making an average difficult to estimate. Maintenance expenses include the tenant's proportionate share of common area maintenance, including snow removal, parking lot upkeep and cleaning, building level upkeep, cleaning and general mitigation of wear and tear. Often, larger capital expenditure items such as roof replacements or pavement resurfacing are amortized and recovered from respective tenants, however we have not included a capital expenditure amortization allowance in our analysis of maintenance due to the variability in physical property characteristics as well as lease structure for this item. Utilities typically include the tenant's proportionate share of natural gas, water/sewer and electricity use.

It is noted that the data shows many market groups, such as Calgary and Edmonton Retail with very strong NNN rent growth since 2019, whereas other market groups such as Rural Village and Rural Hamlet classifications with more stable rental rate fluctuations. The COVID-19 Pandemic had a notable impact on the commercial real estate market, with differing impacts depending upon the asset type and location. Supply chain challenges lead to increased demand for industrial real estate as companies increased stock held

locally to reduce reliance on goods coming from overseas. This sudden demand shift led to a lack of available space and an increase in rents in response. These same supply chain challenges and soaring inflation led to an increase in construction and operating costs for all types of commercial real estate. These increased input costs were then passed on to tenants in the form of higher rents. Many of these impacts were experienced to a greater extent in the more urban centres, where the bulk of the new construction and tenant demand was concentrated. As new supply has caught up to demand, the pace of rental rate increases within the industrial market has largely stabilized. By contrast, the office market was greatly impacted by the pandemic with demand from office tenants down significantly due to work from home policies. As a result, we have seen office rents decrease due to high vacancy rates. From a retail perspective, the pandemic had a profound impact on retail tenancies, forcing the closure of many businesses; the recovery of retail has varied across the province based upon a number of factors including (but not limited to) inflation, local demand and supply dynamics, population growth and demographics. More recently, there has been a surge in demand for retail in areas with high levels of in-migration, such as within Calgary and Edmonton. This, combined with a significant lack of new construction, has driven rents to new highs in areas where there has been strong population growth. Given the widespread locations of the depots across the province, as well as the fact that some spaces are more retail oriented and others are more office or industrial in nature, the variation within the data is not unexpected. Notwithstanding any variation within the data, CBRE has drawn upon a very large data set, with over 3,000 leases surveyed.

It is our considered and professional opinion that the recommendations and findings for each grouping are accurate to within $\pm 5\text{-}10\%$ of actual market conditions within metro market groups and $\pm 15\text{-}20\%$ of actual market conditions within urban and rural market groups.

A summary of our findings is presented on the following page.

Key Findings

	2021 NNN Rent	2022 NNN Rent	2023 NNN Rent	2024 NNN Rent	2025 NNN Rent	2025 Property taxes	2025 Utilities	2025 Insurance	2025 Maintenance
Calgary Retail	\$34.00	\$36.00	\$35.00	\$38.50	\$39.50	\$8.00	\$4.00	\$0.30	\$3.50
Calgary Commercial	\$16.75	\$17.75	\$18.50	\$20.50	\$21.50	\$6.50	\$4.00	\$0.25	\$3.00
Calgary Industrial	\$9.50	\$9.75	\$11.75	\$12.50	\$13.00	\$5.00	\$3.75	\$0.20	\$1.50
Edmonton Retail	\$27.00	\$27.00	\$30.00	\$31.00	\$32.00	\$7.50	\$3.25	\$0.30	\$5.00
Edmonton Commercial	\$14.50	\$14.25	\$14.00	\$14.00	\$14.00	\$3.50	\$3.75	\$0.25	\$1.75
Edmonton Industrial	\$9.75	\$10.00	\$11.00	\$10.75	\$11.00	\$4.00	\$3.75	\$0.20	\$1.25
Bedroom City	\$24.00	\$25.00	\$25.00	\$26.00	\$26.50	\$3.00	\$4.00	\$0.20	\$2.50
North City	\$13.25	\$12.50	\$12.75	\$13.00	\$14.00	\$2.25	\$3.50	\$0.40	\$3.50
South City	\$11.75	\$12.00	\$12.25	\$13.25	\$13.25	\$2.00	\$3.00	\$0.20	\$2.00
Rural North Town	\$14.00	\$14.00	\$14.00	\$14.75	\$16.00	\$1.65	\$3.25	\$0.20	\$2.00
Rural South Town	\$15.50	\$14.50	\$16.50	\$16.50	\$17.50	\$1.75	\$2.75	\$0.20	\$1.50
Rural Village	\$10.00	\$10.25	\$10.25	\$10.25	\$10.25	\$1.75	\$3.50	\$0.20	\$2.00
Rural Hamlet	\$9.00	\$9.25	\$9.25	\$9.25	\$9.25	\$2.00	\$3.50	\$0.15	\$2.00

(1) All values in \$ / SF per annum

(2) All values as of July 1 of each year

Conclusion

CBRE Limited has completed an investigation and analysis to assist with market rent, realty tax, and utilities expense determination with respect to beverage container recycling facilities throughout Alberta. MNP LLP may use the information contained herein to assist in the process of determining and making recommendations to the Handling Commission as tasked by the BCMB. Given the extent of resources and details of the research used throughout the course of the process, the conclusions provided can thus be considered from a trustworthy source and supported by an analysis of relevant and accurate market data.